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CENTRAL INTELLIGENCE AGENCY

INFORMATION REPORT

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COUNTRY Germany (Soviet Zone)

SUBJECT The Economic Situation in Soviet Germany

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1. No officer in the Kommandaturas of the Soviet garrisoned cities of Soviet Germany dares to talk about the Beria case, even with high-ranking German Communists. The behavior of these officers since Beria's downfall, however, has shown obvious relief, and Beria's picture has immediately disappeared from Soviet Army quarters. The villas which had been assigned to GPU personnel under Beria were turned over to German families, and the GPU personnel disappeared without a trace in greatest haste. The Germans were obviously pleased over their withdrawal. The Soviet officers became more polite, and everyone felt much freer.
2. Following 17 Jan 53 events, a number of peasants who had been arrested for not delivering their quotas were released. Some of them preferred to go to the state farms instead of returning to their own farms. The state gives relatively good pay and the peasants would feel more secure there in the event of another change in policy. Those peasants who went back to private farming are now being encouraged to sell their surpluses to the EO (official trade organization). A good many farms, however, are still short of workers and a number of the new settlers have moved to the towns. There is a shortage of farmhands in Mecklenburg, and the potato harvest is suffering as a result. There are general complaints that the Soviet agricultural machinery is not suited to East German farming because it is built for the use of very large farms which is not yet the rule in Mecklenburg or Pomerania.
3. Leading SED functionaries, who have been censured for errors in party politics, have been transferred to second and third rank posts in the Lnder administrations, where they are now given a chance to prove themselves worthy of future return to the higher echelons of the party apparatus. SED circles admit that Malenkov is not permitting Ulbricht to take excessive measures against oppositionists. Some of the censured party functionaries have only been removed from office, relatively few are under house arrest, and only a very small group has actually been arrested. Party

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policy, even toward oppositionists, consists now of attempts to again draw any and everyone into party work after a period of probation.

4. The population has gained in self-assurance vis-a-vis the government, especially the workers who in small cases get their points through in many factories. Whenever possible, the administrative bodies in industry prefer to give in and try to avoid increasing the existing difficulties. A new outbreak of social unrest is generally expected in the entire ~~Soviet~~ German Zone, and even dates are mentioned, the most frequent ones being February or March 1954 when the food shortage is expected to cause much discomfort to the population. The party authorities know about this "date" and try to prevent new trouble by improving the distribution of food and by raising both its quantity and quality.

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